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FISCAL IMPACT STATEMENT

LS 6707

BILL NUMBER: SB 1

NOTE PREPARED: Jan 18, 2024

BILL AMENDED: Jan 18, 2024

SUBJECT: Reading Skills.

FIRST AUTHOR: Sen. Rogers

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires certain schools to offer summer school courses for students who are not reading proficient or are at risk of not being reading proficient as indicated on the determinant evaluation of reading skills approved by the State Board of Education. It also expands eligibility for funding for summer school courses. The bill also requires certain summer school courses to be taught by a teacher who is trained in the science of reading.

The bill requires the Department of Education (DOE) to procure a universal screening assessment that meets certain criteria. It also requires certain schools to administer the assessment to students in kindergarten through grade 2 who are not on track for reading proficiency by grade 3 as determined by the DOE. It provides that a vendor must supply a student's assessment results to the student and the student's parents.

The bill applies the reading deficiency remediation plan to public schools, charter schools, state accredited nonpublic schools, and eligible schools. It makes the following changes to the plan:

- (1) Beginning with evaluations administered in the 2024-2025 school year, requires retention of a student in grade 3 in addition to remediation if the student has not achieved a passing score on the evaluation.
- (2) Requires schools to notify a student's parent of certain assessment results, interventions, or remedial actions provided to the student.
- (3) Requires schools to monitor the progress of students who have failed to achieve a passing score on the evaluation or the statewide assessment program test.
- (4) Requires schools to provide reading instruction aligned with the science of reading to all students in kindergarten through grade 8.
- (5) Requires schools to administer the evaluation to students who are in grade 2.

(6) Requires a student to take the evaluation until certain conditions are met.

The bill creates exceptions to the grade 3 retention requirement for a student who meets certain criteria.

Effective Date: July 1, 2024.

Explanation of State Expenditures: Summary - The bill will increase the number of students that must retake third grade in FY 2026. This will shift some state tuition support expenditures back one year beginning in FY 2030, and will eventually lead to a state expenditure increase of \$50 M to \$57 M in FY 2035. A provision requiring certain schools' instructional coaches to have a literacy endorsement could increase enrollment in state educational institutions. This could have a minor impact on outcomes-based performance funding in future years. The bill has provisions regarding summer school and dyslexia screeners that are anticipated to have minor workload increases.

Additional Information -

Third Grade Retention: The bill requires schools to retain students in third grade who do not pass IREAD-3 unless they meet one of the following requirements:

1. The student was already retained in the prior year;
2. The student has a disability or the student's IEP specifies that retention is not appropriate;
3. The student is an English learner who has received services for fewer than two years and a committee has determined that promotion to fourth grade is appropriate;
4. The student received a math score of proficient or higher on ILEARN in third grade.

LSA estimates that nearly 7,100 more students would repeat third grade in FY 2026 due to the bill's provisions based on 2023 IREAD-3 data.

There would be no immediate impact to state tuition support, as students retained in third grade are funded the same as students promoted to fourth grade. However, as the students age, they will be a year behind in taking CTE courses that would impact the CTE Grant and achieving certain academic goals in high school that impact the Academic Performance Grant. This would shift state expenditures related to those grants back one year, with shifts beginning to occur in FY 2030. In FY 2035, as students who would have otherwise graduated are in their senior year, LSA estimates that state expenditures would increase by \$50 M to \$57 M, assuming FY 2025 state tuition support grant amounts. This represents the cost of paying for each of these students for one more year than the state would have paid under current law. As the bill will impact each cohort of third graders moving forward, each year after FY 2035 would be similarly impacted.

Ultimately, the impact of the increase in the number of third grade students retained is dependent upon a number of factors including but not limited to:

1. The number of students that are retained in the future.
2. How those students' academic careers progress post-retention compared to how they would have progressed under current law.
3. The state tuition support formula in place in the future.

State Educational Institutions (SEIs): SEIs could experience an increase in enrollments in literacy certificate programs. State operating support for Indiana's state higher educational institutions is composed of base funding and outcomes-based performance funding. Enrollment increases could impact the funding SEIs receive from the performance funding formula in future bienniums. The impact is probably minor and would depend on the funding formula used in the future. [SEIs receive state funding through General Fund

appropriations.]

Summer School: The bill requires the State Board of Education to adopt rules that will change the distribution formula so that it gives priority reimbursement to summer school programming that is provided to students in second or third grade that are at risk of not being reading proficient or are not reading proficient. This represents a minor workload increase for the state board that will be completed with existing staff and resources. The bill is not expected to increase total state expenditures for summer school, as HEA 1001-2023 appropriated \$18.36 M in both FY 2024 and FY 2025 for summer school and specified that to the extent costs would exceed that amount, DOE must proportionately reduce the grants distributed to stay within the appropriation. All of the summer school appropriation will likely be used under current law.

Dyslexia Screener: The bill requires DOE to procure and provide technical support for a single preferred dyslexia screener, a minor workload increase. [DOE already reviews and approves these assessments, which are required for all students in kindergarten through second grade and students in third grade or later under certain circumstances.]

Explanation of State Revenues: *SEIs:* SEIs may receive additional revenue from teachers enrolling in literacy certification programs.

Explanation of Local Expenditures: *Summary-* The bill's provisions requiring:

1. Instructional coaches at schools with an IREAD-3 pass rate below 70% to have a literacy endorsement; and
2. Schools to offer summer school to students who are in second and third grade who are at risk of not being, or are currently not, reading proficient

will increase the workload and could increase expenditures for some schools. The bill's provisions increasing the number of students that are retained in third grade, increasing the population of students taking the IREAD-3 assessment, and requiring schools to provide a core reading program aligned with the science of reading through eighth grade will also increase the workload of schools.

Additional Information -

(Revised) *Instructional Coach:* Current statute requires school corporations to employ instructional coaches trained in the science of reading if less than 70% of their students did not pass IREAD-3. The bill requires those instructional coaches to have a literacy related endorsement beginning in FY 2026. Some schools may need to hire additional teachers with a literacy endorsement to comply with the bill's requirements. Using data school corporations submitted to DOE with salary and position information, and using the State Budget Agency's fringe benefits calculation, Indiana teachers cost approximately \$72,000 annually.[This estimate does not account for health insurance.] Schools may be able to reduce these costs dependent on the extent that they assist existing instructional coaches in attaining a literacy endorsement. Several SEIs offer literacy endorsements at a cost of approximately \$7,500. Statewide, there are 2,700 teachers with a literacy endorsement.

Summer School: The bill requires public schools to offer summer school courses to students in second and third grade who are at risk of not being, or are currently not, reading proficient. If a public school was not offering these summer school courses, expenditures could increase. Schools may also shift summer school course offerings in order to be compliant with the bill without increasing expenditures.

Third Grade Retention: The bill will increase the number of students retained in third grade. For some

schools that have low IREAD-3 pass rates, large portions of third grade classes could be retained, requiring teachers to shift what grade level they teach to accommodate a large third grade class and a small fourth grade class.

IREAD-3: The bill requires schools administer IREAD-3 to all second grade students. This would increase the number of students taking assessments. However, DOE currently allows schools to opt-in to assessing second grade students. As of January 4, 2024, 947 out of 1,052 elementary schools had opted in for 2024. Additionally, the bill's requirement that students retake IREAD-3 until they pass or enter seventh grade will increase the workload of public schools beginning in FY 2025. Under current law, students must retake IREAD-3 in third (for students in schools that opt-in to test second grade students), fourth, and fifth grade if they did not pass in the previous year.

Explanation of Local Revenues: *Third Grade Retention:* Public schools' state tuition support revenue would not be impacted in the near-term from students being retained in third grade. However, revenue shifts from one year to the next year would begin to occur around FY 2030. A revenue increase would occur beginning in FY 2035, estimated at \$47 M to \$53 M. [See *Explanation of State Expenditures*].

Summer School: The bill requires accredited nonpublic schools to offer, and receive summer school funding for, summer school courses provided to students in second and third grade who are at risk of not being, or are currently not, reading proficient. Since summer school funding is limited by the appropriation, allowing accredited nonpublic schools to receive funding could decrease the distributions public schools receive.

State Agencies Affected: Department of Education; State Board of Education.

Local Agencies Affected: Public schools.

Information Sources: Department of Education;

<https://www.in.gov/doe/files/2024-2025-Indiana-Dyslexia-Screener-Evaluation-Protocol.docx.pdf>

<https://www.in.gov/doe/files/2023-2024-IREAD-3-Frequently-Asked-Questions.pdf>

Ball State University,

<https://www.bsu.edu/academics/collegesanddepartments/online/academic-programs/graduate-certificates/literacy>;

Indiana University, <https://online.iu.edu/degrees/language-and-literature-certificate.html>;

State Budget Agency, <https://www.in.gov/sba/files/Operating-Budget-Instructions-FY24-and-FY25.pdf>;

<https://eddata.doe.in.gov/PublicHome/GetObjectByUuidAndViewType?uuid=df4a26e1-eedc-4480-812d-da6cad5528ff&viewType=Report¤tPage=1>;

LSA Education Database;

Final Reimbursement for 2022 Summer School Programs Memo, November 18, 2022, Department of Education.

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